

TESTIMONY OF
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ON BEHALF OF
THE HOPE NOW ALLIANCE

HOUSE COMMITTEE ON FINANCIAL SERVICES
HEARING ON

Progress in Efforts to Coordinate and Enhance
Mortgage Foreclosure Prevention

November 2, 2007

Mr. Chairman and Ranking Member Bachus, thank you for the opportunity to testify today on efforts to prevent foreclosures. My name is William Longbrake and I am pleased to be here on behalf of the HOPE NOW Alliance to talk about this significant joint industry and non-profit national initiative to reach out to at risk borrowers to prevent foreclosures. I serve as a Senior Policy Advisor to The Financial Services Roundtable and its Housing Policy Council and in that role I am devoting a large part of my time to the HOPE NOW Alliance, working with all our industry and non-profit partners.

Before I begin, I would like to acknowledge that the Chairman and Ranking Member Bachus, as well as other members of the Committee, have been very supportive of the existing national 1-888-995- HOPE hotline counseling program, which is a key part of the HOPE NOW foreclosure prevention effort. Chairman Frank, Congressman Bachus and other members of the Committee have helped to inform borrowers about the 1-888-995-HOPE number which they can call anytime 24 hours a day, seven days a week to get free counseling on their mortgage situation from HUD-certified non-profit counselors. The HOPE number is an important part of this expanded HOPE NOW Alliance and will continue to be as we move forward.

In August and September, the Department of the Treasury and HUD convened industry and non-profits and encouraged them to coordinate their efforts in enhanced ways that would help reach more homeowners and avoid unnecessary foreclosures. This led to the announcement of the formation of the HOPE NOW Alliance on October 10th.

The HOPE NOW Alliance is a collaboration between credit and homeownership counselors, lenders, investors, mortgage market participants and trade associations. It was formed with the encouragement

of the Department of the Treasury and HUD and builds on the efforts that you and other Members of Congress have encouraged us to undertake. HOPE NOW is creating a coordinated, national approach among servicers to increase and improve ways to reach and communicate with borrowers who may have or expect to have difficulty making their mortgage payments. HOPE NOW is also working to ensure that consumer hotlines are adequately staffed by trained professionals, to create improved technology for addressing various issues, and to involve and better coordinate with non-profit housing counselors—all with the intent to preserve homeownership wherever possible. The interest and encouragement of the Federal government enhances the urgency and national impact of these efforts. By establishing on the national level coordination on many processes and standards, we hope to enhance and expand the work already being done by lenders, servicers, non-profits and others to increase the effectiveness of all participants in preventing foreclosures.

Action has begun on the HOPE NOW effort in earnest, and there is a high level of commitment on the part of all participants. Counselors and servicers are already working very hard to reach homeowners and prevent foreclosures. The Homeownership Preservation Foundation is continuing its national telephone counseling service, 1-888-995-HOPE, which employs HUD-certified non-profit counseling organizations from around the country to take calls from homeowners who are concerned about their ability to pay their mortgage. NeighborWorks America, a national network of more than 240 community-based organizations in 50 states, which is part of the HOPE NOW Alliance, is actively providing in-person counseling services to consumers today, as are many other counseling groups.

However, the members of HOPE NOW recognize that all of these efforts need not just to continue but must be enhanced in a number of ways. We believe that by working together to build on and expand existing efforts, we will be more effective than by working independently. The HOPE NOW Alliance is

made up of private sector participants - lenders and loan servicers, other mortgage industry companies, trade associations, and not-for-profit counseling agencies and investors. Private sector participants that have chosen to join have agreed to work aggressively to help keep as many Americans in their homes as possible.

HOPE NOW is encouraging others to join and adopt the processes and approaches we are developing to reach borrowers and develop resolutions that reduce the possibility of foreclosure. A list of counseling organizations, lenders/servicers, mortgage market participants, investors, and trade associations that are currently participating in the Alliance is attached to my testimony.

HOPE NOW is actively working to address key issues through several working groups which are meeting regularly and reporting their progress on these goals:

- **Capacity for Counseling and the HOPE Hotline:** We are working to expand the capability of the national HOPE hotline and in-person counselors to receive, triage, counsel, refer and connect borrowers to servicers. The goal is to build capacity for phone counseling (888-995-HOPE) and utilize counseling organizations for in-person counseling.
- **Outreach:** This working group is seeking to increase efforts to reach the hard-to-reach at-risk borrowers. Servicers have been actively sending letters to at-risk borrowers but often have had limited success reaching them (3-5% success rate). Trials with not-for-profit counselors sending similar letters have resulted in up to a 25% success rate because delinquent borrowers are less reluctant to contact an independent counselor than their lender. By sending a common, uniform letter to at-risk borrowers across the country, and with a national outreach effort and significant media attention, the Alliance believes it can greatly increase the success rate in reaching at-risk

borrowers and getting them to respond than is occurring through the on-going and strong efforts by individual servicers to reach their customers.

- The first set of HOPE NOW outreach letters will be mailed November 19 to 30. HOPE NOW servicer participants will send over 200,000 letters to a critical group of at-risk borrowers who have not been in contact with their servicer. While servicers will mail the letters, the letters themselves will be on the HOPE NOW Alliance letterhead. The letters will only be sent to borrowers who live in their primary residence, not to those with investment properties.
- The November direct mail outreach letter is only the first step. HOPE NOW will continue regular outreach to more at-risk borrowers in the coming months through letters and other efforts to contact homeowners who may need assistance.
- **Operational Efficiencies: Process Efficiencies for Servicers/Counselors:** This effort is dedicated to coordinating and maximizing effectiveness of communication between counselors and servicers. The goal is to centralize intake processes of what counselors provide servicers and examine the best counselor/servicer interface and ‘port of entry’ for counselors. In other words, we are developing ways to make it easier and more efficient for counselors to reach the right people in servicing and loss mitigation departments and to improve the relevancy of information that counselors provide to servicers to enable them to make informed decisions about what resolution options could work best for at-risk borrowers.
- **Measures of Reporting:** The HOPE NOW Alliance will establish data metrics for reporting on how many borrowers are reached and the outcomes of this outreach. Our working group will also develop measures of trends in delinquencies and resolution outcomes, e.g. reinstatement, workout (repayment plans, modifications, short sales, deed in lieu, partial claims) and foreclosure. The intent is to develop consistent and informative data reports based on common

definitions and to develop information that provides insights into the nature and extent of the current mortgage crisis and helps in the development of workable solutions that avoids foreclosure whenever possible.

- **Technology:** We are working to extend the use of existing industry programs that utilize the Early Resolution software and build in innovations that enhance foreclosure prevention efforts. The Alliance will actively encourage the implementation of technology solutions to enhance the efficiency of interactions between counselors and servicers.
- **Funding:** The success of the HOPE NOW Alliance's initiatives depends critically on the adequacy of funding for counseling services. Our participants are developing a sustainable funding model for phone and in-person counseling, which will involve participation by servicers, investors and government. Long-term success will require funding from all these sources to provide support for counseling for all borrowers who need it, including those borrowers who may have a loan that was originated and/or serviced by a lender that is no longer in business, or that is not part of the Alliance.

HOPE NOW will also coordinate announcements about its progress and outreach initiatives with policymakers.

Reaching borrowers to work with them on a workable solution is the key to helping them stay in their homes. The solutions will vary with the circumstances of the borrower. Prudent and responsible loan modifications, among other types of loss mitigation solutions, are an important servicing tool that can both help borrowers keep their homes and minimize losses to investors. Members of the Alliance, particularly financial industry organizations, will continue their ongoing commitment to facilitate additional dialogue among securitization market participants and to develop

additional industry guidance that is designed to maximize the effectiveness, to both borrowers and investors, of evolving loss mitigation strategies.

Much work is being done and remains to be done. HOPE NOW members are devoting significant resources to this effort. By working together through this Alliance, in a centralized and coordinated effort, with the encouragement and support of the Treasury Department, HUD, and Congress, we believe we will develop very effective ways to help keep more people in their homes.

The Housing Policy Council and the Mortgage Bankers Association are helping to coordinate the Alliance for industry participants, but all members of the Alliance are actively involved through the working groups. Faith Schwartz, an experienced mortgage industry professional, is serving as project manager of the HOPE NOW Alliance and is coordinating our working groups.

Mr. Chairman, we appreciated your statement of support for the HOPE NOW effort when it was announced by the Department of the Treasury. We also appreciate the Dear Colleague letters you and Congressman Bachus sent to Members of the House earlier this year to inform them of the 1-888-995 HOPE hotline number. Active involvement of Members of Congress to alert your constituents that help is available when they contact either their lender/servicers or a non-profit counselor through the HOPE hotline will continue to be essential in helping as many homeowners as possible in the coming months.

I can't emphasize this point strongly enough. We have to convince borrowers who are in trouble to call for help. Fifty percent of borrowers who go into foreclosure never call for help. They should call their mortgage servicer or a national non-profit like the 1-888-9995 HOPE number or other resources listed on the HUD website.

The HOPE NOW Alliance is a serious and committed effort that will continue as long as necessary until problems in the housing and mortgage markets abate. We will provide updates on our progress to you in the coming weeks.

Thank you for inviting us to testify today.